



DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

TE/GE: EO Examination

625 Fulton Street, Room 503

Brooklyn, NY 11201

TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

Release Number: **200842055**

Release Date: 10/17/08

Date: July 24, 2008

Legend

ORG = Organization name

ORG

ADDRESS

XX = Date

Address = address

Uil: 501.03-01

Taxpayer Identification Number:

Person to Contact:

Identification Number

Contact Telephone Number:

LAST DATE FOR FILING A PLEADING WITH THE  
TAX COURT, THE CLAIMS COURT, OR THE UNITED  
STATES DISTRICT COURT FOR THE DISTRICT OF  
COLUMBIA:

Dear

This is a final determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code (IRC). Recognition of your exemption from Federal income tax as an organization described in Internal Revenue Code section 501(c)(3) is retroactively revoked to June 1, 20XX, because you have not established that you are organized and operated exclusively for exempt purposes.

IRC section 501(c)(3) exempts from taxation organizations which are organized and operated exclusively for religious, charitable or educational purposes, or fostering national or international amateur sports competition.

You failed to meet the requirements of Treasury Regulation section 1.501(c)(3)-1(b) in that you are not organized exclusively for an exempt purpose. Your primary activity is on a local level with adult members.

We are therefore revoking your exemption from Federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code effective June 1, 20XX.

Contributions to your organization are no longer deductible under section 170 of the Internal Revenue Code.

You are required to file Federal income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for all years beginning June 1, 20XX.

Processing of income tax returns and assessment of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination in court, you must file a pleading seeking a declaratory judgment in the United States Tax Court, the United States Court of Federal Claims, or the United States District Court for the District of Columbia before the 91<sup>st</sup> day after the date this final determination was mailed to you. Please contact the clerk of the appropriate court for rules regarding filing pleadings for declaratory judgments and refer to the enclosed Publication 892. You may write to these courts at the following addresses:

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call too-free and ask for Taxpayer Advocate Assistance.

If you prefer, you may contact your local Taxpayer advocate at:

We will notify the appropriate State Officials of this action, as required by section 6104(c) of the Internal Revenue Code.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely Yours,

Marsha A. Ramirez  
Director, EO Examinations

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer  ORG		May 31, 20XX

**LEGEND**

ORG = Organization name      XX = Date      motto = motto

**ISSUE:**

Whether the organization is a charitable organization within the definition of 501(c)(3) of the Internal Revenue Code.

**FACTS:**

ORG (ORG) was originally classified as a 501(c)(4). ORG is a club of adult men ranging from the ages of 18 to 90 years old. The primary activity is motto on a local level. During the motto season ORG also checks motto, motto, and motto to see that they meet specifications. There is a yearly local tournament and banquet.

In 19XX the articles were amended to add, "Organized and operated at all times exclusively for charitable and educational purposes to foster regional, national, and international motto competition." IRS reclassified the organization to a 501(c)(3).

The prior agent audited ORG several times and approved of their status as a 501(c)(3).

**Law:**

Internal Revenue Code 501(c)(3) grants exemption to an organization that is educational, charitable, or fostering national or international amateur sports competition.

*Amateur sports organizations may qualify under IRC 501(c)(3) in the following ways:*

- (1) The organization may be "educational" if it teaches sports to youth or is affiliated with an exempt educational organization. (Section 1.501(c)(3)-1(d)(3) of the regulations.)*
- (2) The organization may be "charitable" if it develops, promotes, and regulates a sport for youth. (Section 1.501(c)(3)-1(d)(2) of the regulations.)*
- (3) The organization is organized and operated to foster national or international amateur sports competition, but does not provide athletic facilities or equipment.*
- (4) The organization is a "qualified amateur sports organization" under IRC 501(j)(2). IRC 501(j) requires the organization to be organized and operated exclusively to foster national or international sports competition. It can do this by: (a) Conducting national or international sports competitions; or (b) Supporting and developing amateur athletes for national or international sports competitions*

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*IRC 501(j) allows the organization to provide facilities and equipment. An organization must have links to national or international competition. An organization does not qualify under IRC 501(j) if its activities are merely local.*

### GOVERNMENT'S POSITION:

ORG (ORG) does not meet the requirements of a 501(c)(3). It is not educational, charitable, or fostering national or international amateur sports competition.

### TAXPAYER'S POSITION

The organization agrees with the revocation of their 501(c)(3) status.

### CONCLUSION

ORG does not qualify as a 501(c)(3). Their primary activity is motto on a local level with adult members. This is not educational, charitable, or fostering national or international competition.

Accordingly, the organization's exempt status is revoked.

### OTHER INFORMATION

Our review of your return, Form 990, and related records indicated that you failed to file all required Forms 1099. Under Sections 6041 through 6050 of the Internal Revenue Code of 19XX, you are required to file an information return, Form 1099, for payments of \$ or more during a calendar year made to individuals and unincorporated entities for rent, compensation, services, or other fixed or determinable gains, profits, and income. Even though we have now obtained these returns, your organization is responsible for timely filing the appropriate forms in the future

As part of our examination, we determined that you were not liable for filing Form 990-T on unrelated business income. You are reminded that Form 990-T is required to be filed when you have gross receipts from unrelated business activities in excess of \$.

During our examination we noted that you did not report your group exemption on your Form 990. In the future, please record this number.

Our examination showed you did not maintain sufficient records regarding reimbursed expenses. In the future, you should maintain adequate records.



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY

Internal Revenue Service  
Tax Exempt/Government Entities  
1100 Commerce St.  
Dallas, TX 75242

ORG  
ADDRESS

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

Certified Mail - Return Receipt Requested

Dear

We have enclosed a copy of our report of examination explaining why we believe revocation of your exempt status under section 501(c)(3) of the Internal Revenue Code (Code) is necessary.

If you accept our findings, take no further action. We will issue a final revocation letter.

If you do not agree with our proposed revocation, you must submit to us a written request for Appeals Office consideration within 30 days from the date of this letter to protest our decision. Your protest should include a statement of the facts, the applicable law, and arguments in support of your position.

An Appeals officer will review your case. The Appeals office is independent of the Director, EO Examinations. The Appeals Office resolves most disputes informally and promptly. The enclosed Publication 3498, *The Examination Process*, and Publication 892, *Exempt Organizations Appeal Procedures for Unagreed Issues*, explain how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

You may also request that we refer this matter for technical advice as explained in Publication 892. If we issue a determination letter to you based on technical advice, no further administrative appeal is available to you within the IRS regarding the issue that was the subject of the technical advice.



If we do not hear from you within 30 days from the date of this letter, we will process your case based on the recommendations shown in the report of examination. If you do not protest this proposed determination within 30 days from the date of this letter, the IRS will consider it to be a failure to exhaust your available administrative remedies. Section 7428(b)(2) of the Code provides, in part: "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted its administrative remedies within the Internal Revenue Service." We will then issue a final revocation letter. We will also notify the appropriate state officials of the revocation in accordance with section 6104(c) of the Code.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Marsha A. Ramirez  
Director, EO Examinations

Enclosures:  
Publication 892  
Publication 3498  
Report of Examination